

Message Text

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63

ACTION SS-20

INFO OCT-01 ARA-16 EUR-25 ISO-00 EB-11 NSC-10 OPIC-12

GSA-02 INT-08 TRSE-00 L-03 SPC-03 PRS-01 CIAE-00

INR-10 NSAE-00 RSC-01 SAM-01 AID-20 CIEP-02 OMB-01

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FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC 1564

INFO AMEMBASSY THE HAGUE

OSD/ISA

USDOC WASHDC

S E C R E T SECTION 1 OF 2 PARAMARIBO 072

DEPT FOR UNDER SECRETARY DONALDSON

DEPT PASS WHITE HOUSE FOR FLANIGAN

OSD/ISA FOR BERGOLD

COMMERCE FOR ASST SECRETARY DOBBIN

E.O. 11652: GDS

TAGS: PINT, EMIN, ETRD, NS, NL

SUBJECT: SURINAM'S BAUXITE

REF: THE HAGUE 809

1. SUMMARY. U.S. INVESTMENTS IN AND ACCESS TO SURINAM'S BAUXITE ARE NOT IN IMMINENT JEOPARDY, AS DESCRIBED IN REFTEL. GOS IS NOT COMMITTED TO NATIONALIZATION OF THE BAUXITE INDUSTRIES NOR IS IT LIKELY TO ADOPT SUCH A POLICY IN THE NEAR FUTURE. END SUMMARY.

2. WE TEND TO VIEW SITUATION REGARDING SURINAM BAUXITE SOME-
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WHAT LESS SERIOUSLY THAN AS DESCRIBED IN REFTEL. FIRST OF ALL,

IN ORDER TO MOVE MATTER INTO CLEARER PERSPECTIVE, SURINAM GOVERNMENT IS NOT REPEAT NOT COMMITTED TO NATIONALIZATION OF THE BAUXITE INDUSTRIES, AS STATED IN PARA 5, REFTEL. THE CHARGE THAT THE NPK-COALITION FAVORS NATIONALIZATION WAE MADE ONCE DURING THE CLOSING DAYS OF THE ELECTION CAMPAIGN BY THE VHP AND PROVOKED A CATEGORICAL DENIAL BY NPS LEADER, NOW PRIME MINISTER, ARRON, THAT NATIONALIZATION DID NOT IN FACT, FORM A PART OF THE COALITION'S PROGRAM. THE VHP ACCASATION WAS NOT TAKEN SERIOUSLY AS IT WAS GENERALLY UNDERSTOOD AS ELECTION POLEMICS.

3. IN ADDITION, AT THIS POINT IT IS STILL PREMATURE, AT LEAST, TO SAY THAT THIS GOVERNMENT IS DOMINATED BY LEFT-WING PARTY (WE ASSUME THE PNR IS REFERRED TO) ALTHOUGH WE BELIEVE THAT THE PNR ENJOYS MORE INFLUENCE THAN IS WARRANTED BY ITS SIZE IN THE COUNTRY AT LARGE OR IN THIS GOVERNMENT, AND THAT ITS INFLUENCE WILL PROBABLY GROW, BUT ONLY IF IT SHELVES THE MORE EXTREME ASPECTS OF ITS IDEOLOGY, SUCH AS NATIONALIZATION. AS WE HAVE REPORTED, THE PNR HAS, IN FACT, SHELVED THESE ASPECTS, ESPECIALLY NATIONALIZATION, DURING THE ELECTION CAMPAIGN AND SINCE IT HAS BEEN IN THE GOVERNMENT. IT HAS DONE THIS BECAUSE NATIONALIZATION IS NOT ACCEPTABLE, AT LEAST NOT YET, TO THE OTHER CREOLE PARTIES IN THE NPK-COALITION OR TO MOST OF THE NPJ SUPPORTERS, EVEN THOSE WHO CONSIDER THEMSELVES "PROGRESSIVES."

4. WE HAVE NOT ENQUIRED DIRECTLY OF PNR LEADER AND ECONOMICS MINISTER BRUMA OR OTHER GOVERNMENT LEADERS REGARDING THEIR VIEWS ON NATIONALIZATION OF THE BAUXITE INDUSTRY, THE VAST BULK OF WHICH IS REPRESENTED BY ALCOA'S SUBSIDIARY SURALCO. NEVERTHELESS, THERE ARE IMPORTANT AND POSITIVE INDICATIONS. THESE ARE CHIEFLY, AS WE HAVE REPORTED, THE HEAVY EMPHASIS WHICH THE GOVERNMENT AND BRUMA PERSONALLY, BOTH PUBLICLY AND PRIVATELY, HAVE PLACED ON THE IMPORTANCE OF PRIVATE FOREIGN INVESTMENT IN DEVELOPING SURINAM'S ECONOMY. A MOVE IN THE DIRECTION OF EXPROPRIATION WOULD SERIOUSLY DAMAGE SURINAM'S CHANCEE TO ATTRACT IMPORTANT FOREIGN INVESTMENT AND WOULD NOT BE CONSISTENT WITH THE GOS POLICY OF ENCOURAGING INVESTMENT. IN AN INTERVIEW WHICH APPEARED IN "DE GROENE AMSTERDAMMER" ON DECEMBER 12, BRUMA REMARKED THAT NATIONALIZATION OF SURALCO

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WOULD BE MERELY A "SHOW PROGRAM FOR THE LEFT," AND WOULD NOT HELP TO FILL SURINAM'S SERIOUS SOCIAL NEEDS OR FIND JOBS FOR THE UNEMPLOYED. BRUMA HAS ALSO REMARKED PRIVATELY THAT SURALCO'S HIGHLY INTEGRATED MINING, PROCESSING AND MARKETING OPERATIONS ARE BEST LEFT IN PRIVATE HANDS. ALL THIS IS NOT TO SAY THAT WE SHOULD TAKE AT FACE VALUE THE PUBLIC AND PRIVATE REMARKS OF GOS OR PNR LEADERS BUT, SO FAR, THE ACTIONS AS WELL AS WORDS HAVE BEEN POSITIVE. AS WE STATED IN LATEST

FY1975-76 CASP, THE U.S. MUST BE ALERT TO THE EVENTUALITY OF A SHIFT FROM THE PRESENT GENERALLY POSITIVE COURSE AS WELL AS VIGILANT FOR OPPORTUNITIES TO ENCOURAGE THIS COURSE.

5. THE FOREGOING IS NOT TO SAY, EITHER, THAT THERE IS NO EVENTUAL THREAT OF NATIONALIZATION. HOWEVER, WE SEE DANGER MOST LIKELY ARISING FROM EFFORTS BY THE GOS, FACED BY GROWING NEEDS AND LIMITED INCOME, TO INCREASE THE REVENUES IT RECEIVES FROM THE BAUXITE COMPANIES. IN SUCH A SITUATION THE POSSIBILITY WOULD EXIST FOR A CONFRONTATION BETWEEN THE GOS AND THE COMPANIES IN WHICH, BY MISREADING EACH OTHER'S POSITION, BOTH SIDES WOULD BLUNDER INTO EXPROPRIATION. ODDLY ENOUGH, THE PROBABLE EMERGENCE OF AN INTERNATIONAL BAUXITE ASSOCIATION AT THE CONAKRY CONFERENCE COULD PROVIDE AN ALTERNATIVE TO THE FOREGOING SCENARIO WHICH MIGHT EVEN BE A FAVORABLE ONE IF IT PROVIDES THE PRODUCING COUNTRIES WITH SOME RATIONAL MEANS TO INCREASE THEIR INCOME FROM BAUXITE.

6. IN THE POST'S OPINION, THE DANGER TO U.S. INVESTMENTS IN SURINAM IS MOST LIKELY TO ARISE FROM RASH ATTEMPTS BY THE GOS TO OBTAIN MORE REVENUES TO FINANCE ITS CLIMBING SOCIAL NEEDS. WHAT IS NEEDED TO AVOID THIS IS A GROWING ECONOMY WHICH WILL SUPPLY MORE JOBS AND REVENUES. THE COUNTRY TEAM HAS PROPOSED IN ITS COUNTRY CASP'S SINCE AT LEAST 1972 THAT THE U.S. URGE THE GON AND THE INTERNATIONAL FINANCIAL AGENCIES TO PERSUADE AND ASSIST THE GOS TO MAKE BETTER USE OF THE AMPLE NON-U.S. DEVELOPMENT FUNDS WHICH THE GOS ALREADY RECEIVES OR HAS ACCESS TO. IT HAS BEEN DETERMINED HOWEVER THAT THIS COURSE OF ACTION WOULD RISK INVOLVING THE U.S. IN SURINAM'S AFFAIRS.
JOHNSTON

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S E C R E T SECTION 2 OF 2 PARAMARIBO 072

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7. WE NOTE THAT REFTEL RAISES THE QUESTION OF U.S. ACCESS TO SURINAM'S BAUXITE. IT SEEMS MORE THAN LIKELY THAT, EVEN AFTER NATIONALIZATION, THE U.S. WOULD ENJOY CONTINUED ACCESS TO SURINAM BAUXITE. SURINAM WOULD FIND IT DIFFICULT TO DISPOSE OF ITS PRODUCT ON FAVORABLE TERMS ELSEWHERE.

8. AS THE COUNTRY TEAM DOES NOT BELIEVE THAT U.S. INVESTMENT IN OR ACCESS TO SURINAM BAUXITE ARE IN JEOPARDY WE FEEL THAT THE POLICIES DESCRIBED IN REFTEL ARE NOT REQUIRED. HOWEVER, WE WISH TO COMMENT ON THESE POLICIES BRIEFLY.

9. WE AGREE WITH REFTEL THAT GON IS NOT LIKELY TO DELAY GRANTING SURINAM ITS INDEPENDENCE UNTIL SUCH TIME AS A GOS
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EMERGES WHICH IS MORE FAVORABLE TO U.S. INTERESTS. IT IS NOT LIKELY THAT THE GOS, WHICH WE THINK IS GOING TO BE AROUND FOR QUITE A WHILE, WOULD SUBMIT TO THIS, AND THE GON WOULD SOON FIND ITSELF IN A DIFFICULT SITUATION. THERE IS ALSO THE CONSIDERABLE, AND IN OUR OPINION UNACCEPTABLE RISK THAT A U.S. REQUEST THAT GON DELAY SURINAM'S INDEPENDENCE WOULD BECOME KNOWN IN SURINAM.

QPM AS FOR U.S. ENCOURAGING GON TO OBTAIN FROM GOS A COMMITMENT AGAINST EXPROPRIATION AS A CONDITION OF INDEPENDENCE, SUCH A MOVE, EVEN IN THE UNLIKELY EVENT THAT GON AGREED TO TRY, WOULD BE COUNTERPRODUCTIVE. NO GOS WOULD GIVE SUCH A COMMITMENT. SUCH A PLAN WOULD ADVANCE THE IDEA OF NATIONALIZATION AS A MATTER OF SELF RESPECT.

11. THIRD AND FOURTH PROPOSALS IN REFTEL ESSENTIALLY SIMILAR, SINCE THEY BOTH INVOLVE HEAVY U.S. INVOLVEMENT IN ECONOMIC AND AND ARE WASTEFUL OF U.S. RESOURCES. SURINAM WOULD WELCOME

U.S. AID, ALTHOUGH ADEQUATE USE HAS NOT BEEN MADE OF VERY
SUBSTANTIAL DUTCH ASSISTANCE WHICH SURINAM ALREADY RECEIVES,
AND GON WOULD OBVIOUSLY BE HAPPY TO BE RELIEVED OF ALL OR
PART OF THE BURDEN. WE DO NOT THINK, HOWEVER, THAT IT IS
POSSIBLE TO OBTAIN LONG TERM GUARANTEE OF ACCESS AND IN-

VESTMENTS IN BAUXITE IN RETURN FOR AN AID PROGRAM. MOST
LIKELY COURSE WOULD BE THAT GOS WOULD REJECT PROPOSAL OUT OF
HAND FOR REASONS OF NATIONAL PRIDE. FURTHERMORE, GUARANTEE
WOULD NOT BE WORTH PAPER IT WAS WRITTEN ON, SINCE SURINAM
COULD ABROGATE IT AT WILL. THE BROKOPONDO AGREEMENT BETWEEN
SURALCO AND THE GOS ALREADY PROVIDES AS LEGAL AND VALID A
GUARANTEE AGAINST NATIONALIZATION AS ANYONE IS LIKELY TO
OBTAIN.
JOHNSTON

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